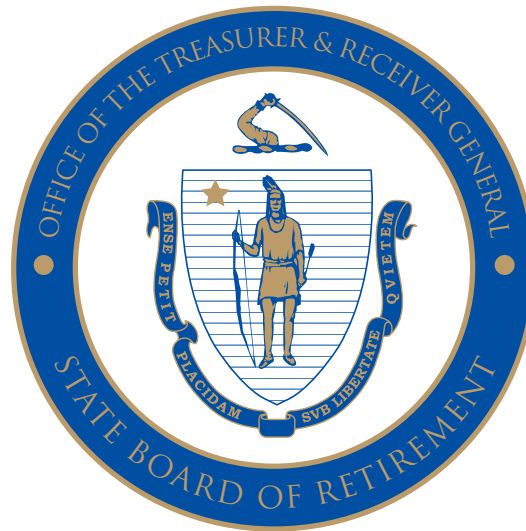


THE MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

YOU SERVE THE COMMONWEALTH.
WE SERVE YOU.



THE STATE BOARD OF RETIREMENT

Governed by
Massachusetts General Laws
Chapter 32

5-Member Board
Chairman -
State Treasurer Timothy P. Cahill



DEFINED BENEFIT PLAN

(service x age) x salary average

Membership

Mandatory until separated by the state by reason of:

- ➔ Retirement
- ➔ Failure of re-election or re-appointment
- ➔ Resignation or removal
- ➔ Discharge from position or office held



Contributions

Contributions and investments are managed by the Pension Reserves Investment Management (PRIM) Board.

As of 12/31/07 **PRIM Assets are \$53.7 billion** and the SERS Assets are \$22.5 billion.



Contributions

Mandatory for all Members-in-Service
Pre-tax through payroll deductions

If you joined the system:

- ➔ Prior to January 1, 1975
- ➔ Jan 1, 1975 to Dec 31, 1983
- ➔ Jan 1, 1984 to June 30, 1996
- ➔ July 1, 1996
- ➔ State Police/ July 1, 1996

Your rate is:

- 5%
- 7%
- 8%
- 9%
- 12%



Contributions

If your membership began on or after January 1, 1979, **an additional 2%** is withheld from that portion of your **salary that is over \$30,000.**



Creditable Service

If you are a full-time employee

1 year of creditable service for each year completed.

Employed on a less than full time basis

will earn a pro rata amount of service

(i.e. 1 year at 50% service = 6 months creditable service)

Part Time Service...

Madden v. CRAB (2000):

Part-time service **on or before January 28, 1993** will be credited on a full-time basis provided you:

- ➔ Paid into the system,
- ➔ Did not take a refund, or
- ➔ Completed a buyback of such service on or before January 28, 1993

Buyback of Service...

- ➔ **Re-establish credit** for refunded or prior public service, or establish service for non-contributing service.
- ➔ **Mandatory Two Year Employment Rule**
- ➔ **Buyback options:**
 - Lump sum payment (can be paid from SMART Plan)
 - Extra make-up deductions

Contract Service

Eligibility Requirements:

- ➔ **Must currently be a member in service** (not a retiree) with at least ten years of state service
- ➔ The contract employee **service being purchased must have preceded membership** or re-entry into State Employees' Retirement System ("SERS") by no more than six months.

Contract Service

Eligibility Requirements (continued):

- ➔ The contract service being purchased **must have been service to the Commonwealth**
- ➔ Eligible service credited proportionally
- ➔ The **job description** of the contract service position must have been **substantially similar** to the job description the member held upon becoming a member of the SERS.

Contract Service Buyback

- ➔ May purchase up to **four (4) years** of creditable service
- ➔ Member has **up to 180 days to take action** after notice by the Board, either:
 - purchase the service via a lump sum payment; or,
 - enter into an installment payment agreement
- ➔ **If the 180-day period expires** without action by the member, the contract service will **no longer be eligible for purchase.**

Veteran's Service Buyback

If you qualify as a veteran, you may receive **credit for military service**:

- ➡ Veterans are eligible to buyback up to 4 years of military service
- ➡ National Guard: 1 year for every 5 years may be credited.

Withdrawals

- ➔ Lump Sum Withdrawal - Direct Refund/Rollover
 - Direct Refund - 20% Federal Tax and 10% IRS Penalty
 - Rollover - Pre-tax to Financial Institution, After-tax to member



Withdrawals

- ➔ Two year rule (accrual of interest)
- ➔ Involuntary Separation - Regardless of service, receives principal plus full interest
- ➔ Voluntarily Resign:
 - 0 - 5 Yrs - Contributions + 0 Interest
 - 5 - 10 Yrs - Contributions + 1/2 Interest
 - 10 Yrs + - Contributions + Full Interest



As of 1/1/2008
the average retirement allowance
for members of the SERS is
approximately \$23,014.00

Eligibility for Retirement

20 years full-time service at any age

10 years full-time service + **age 55** or over

<10 years service - never eligible

Types of Retirement

Superannuation

Accidental Disability

Ordinary Disability

Section 10

Spousal *(11/1/03)*

Superannuation Calculations

Typical retirement based on:

- your **age**
- your length of creditable **service**,
- your highest 36 consecutive months of regular **compensation**, and
- your **group** classification

Superannuation Calculations

- Allowance may NOT exceed 80% of three-year average annual rate of regular compensation
- Veteran's Premium - \$15 per each year of state service up to 20 years (Up to an additional \$300 per year)

Group Classifications

- ➔ **Group One:** Officials and general employees
- ➔ **Group Two:** provide direct care, custody, instruction and/or supervision to mentally challenged individuals. See M.G.L. c. 32 § 3 for other eligible Group Two positions.
- ➔ **Group Three:** Limited to State Police officers.
- ➔ **Group Four:** includes public safety officers, and certain correction officers.



Group Classifications

- ➔ Group Two and Group Four classification subject to Board approval.
- ➔ Must be in eligible position for 12 months preceding retirement.
- ➔ **Group Two:** adds 5 years to your age at age 55*.
- ➔ **Group Four:** adds 10 years to your age at age 45*.

*Must already be eligible to retire to qualify:
10 years and age 55 or older or
20 years at any age



Calculating Your Retirement Benefits - Group 1



Janet is 55 and a member of Group 1.

She has 20 years of creditable service and her salary average is \$40,000. She is seeking a regular superannuation retirement.

(service x age factor) x salary average:

$$(20 \times .015) \times \$40,000 = \textbf{\$12,000 Pension}$$

Calculating Your Retirement Benefits - Group 2



Julia is 55, a member of Group 2 and a veteran.

She has 20 years of creditable service and her salary average is \$40,000. She is seeking a regular superannuation retirement.

(service x age factor) x salary average + veteran's bonus:

$$((20 \times .020) \times \$40,000) + (\$15 \times 20) = \textbf{\$16,300 Pension}$$

Correctional Provision ("20/50" BILL)

M.G.L. c.32, §28M (Department of Correction)

Qualification requirements:

- ➔ Any employee of the Department of Correction who is classified under group 4
- ➔ Has performed services in the Department of Correction for not less than twenty years
- ➔ Approval of benefit is subject to Board review in accordance with the Group Classification Policy.

Correctional Provision ("20/50" BILL)

M.G.L. c.32, §28N (County Correction)

Qualification requirements:

- ➔ Any correctional or jail officer employed by county sheriffs' offices who has performed services in said office for not less than twenty years
- ➔ Approval of benefit is subject to Board review in accordance with the Group Classification Policy

Correctional Provision ("20/50" BILL)

Calculating Benefit:

- 50% of 12 month salary average for 20 years and an additional 1% more for every additional year worked
- For example, CO with 22 years of service:
 $50\% + 2\% = 52\%$ of one year average
- 20/50 Bill is not always best calculation - Group 4 may sometimes be better

State Police - Group 3

Calculating Benefit:

- ➔ Retiring with 20 years of service receive 60% of annual salary average for previous 12 months.
(MDC, Registry, or Capitol Police employed prior to 7/1/98 also eligible)
- ➔ additional 3% per year for each year over 20
(Maximum 75% at 25 years)
- ➔ Any member who was eligible to retire under group 4 at time of hire may do so if calculation is higher.

Section 10 Retirement

Reviewed by Retirement Board & PERAC

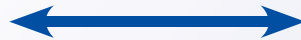
Requires either:

20 years

or more full-time
creditable service;

Involuntarily separated

OR



30 years

or more full-time
creditable service
regardless of age or
nature of separation

Section 10 Retirement

Reviewed by Retirement Board & PERAC

**1/3 of three year salary average
plus annuity**

Pension calculated both as a Section 10 and superannuation.

Member is given highest amount.

Retirement Options

OPTION A

- ➔ Maximum benefit
- ➔ Factors last birthday
- ➔ All benefits cease upon death

OPTION B

- ➔ 1-5% reduction in benefit,
- ➔ Protects annuity (members contribution)

OPTION C

- ➔ Average 7-15% reduction in benefit
- ➔ Automatic "pop-up" to Option A if beneficiary dies.
- ➔ Factors nearest birthday

Retirement Application

File **120 days before** or **60 days after**
your last day on payroll.

Can file more than 60 days after your
last day but effective retirement date
will be 15 days after filing.

Can withdraw application any time
up until the day of retirement

***No changes can be made after
your retirement date.***

THE COMMONWEALTH OF MASSACHUSETTS
State Board of Retirement
ONE ASHBURTON PLACE, BOSTON, MA 02108-1607

RETIREMENT INFORMATION SHEET

APPLICATION PROCESS

If you are actively employed or on a leave of absence you may file your application to retire no earlier than 120 days before you plan to retire. If you file more than sixty days after your last day on payroll, your benefits will not be retroactive to your last day paid. Your effective date of retirement will be 15 days from receipt of your application. The State Retirement Board strongly recommends that you plan your retirement and that you file at least 30 to 60 days in advance of leaving your job. Once your effective date of retirement has passed, you cannot change your retirement option nor can you change your date of retirement.

COUNSELING

If you are interested in individual counseling, walk in counseling service is available at the State Board of Retirement office, located at One Ashburton Place, Room 1219, Boston, from 7:45 a.m. to 5:00 p.m., Monday through Friday.
Website: www.mass.gov Phone: (617) 367-7770 or 1-800-392-6014 (Mass only) Fax: (617) 723-1438

APPLICATION PROCESS CHECKLIST

When filing your retirement application, please include the following documents:

- ☒ Fully completed application (complete pages 3 and 4).
- ☐ One completed Option Selection Form (complete pages 5, 6, and 7).
- ☐ W-4P Federal Tax Withholding Form indicating withholding amount for federal income purposes (complete page 8).
- ☐ Copy of Birth Certificate.
- ☐ Copy of Veteran's Discharge papers (DD 214), if applicable.
- ☐ If you are taking Option C, a copy of the beneficiary's birth certificate, and a copy of the marriage license if the beneficiary is the applicant's spouse. If the beneficiary is a former spouse, the spouse must be unmarried as of the date of retirement.

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Retiree's W-4P Federal Tax Withholding Form	8

Required Forms:

- ✓ Application
- ✓ Option Form
- ✓ W4-P Tax Form
- ✓ Copies of Required Documents:
Birth Certificate, Marriage Certificate, DD214, etc.
(varies for each option)
- ✓ If married, spouse MUST witness option form

Disability Retirement

Ordinary Disability (Non-Employment Related)

- ➔ Must have **10 years full time service** to be eligible
- ➔ Veteran - regardless of age:
50 % of last year salary average
under Option A
- ➔ Non-Veteran:
Raise age to 55 and calculate under
regular retirement - 3 year average
- ➔ Pension is federally taxable



Disability Retirement

Accidental Disability (Employment Related)

- 72% of salary on date of injury
- or last 12 months working average plus annuity
- Pension *is not* federally taxable



Disability Retirement

Approval Process Requirements
(both Accidental & Ordinary Disability):

- ➔ Examination by independent physicians
- ➔ Board approval
- ➔ PERAC approval



Survivor Benefits - Retired Employees

Let your survivors know what to do upon your death...

- ➔ Contact the State Board of Retirement
- ➔ Provide a death certificate
- ➔ Retirement Option you chose will be carried out
- ➔ Contact the GIC for any applicable benefits



Survivor Benefits - Active Employees

OPTION D

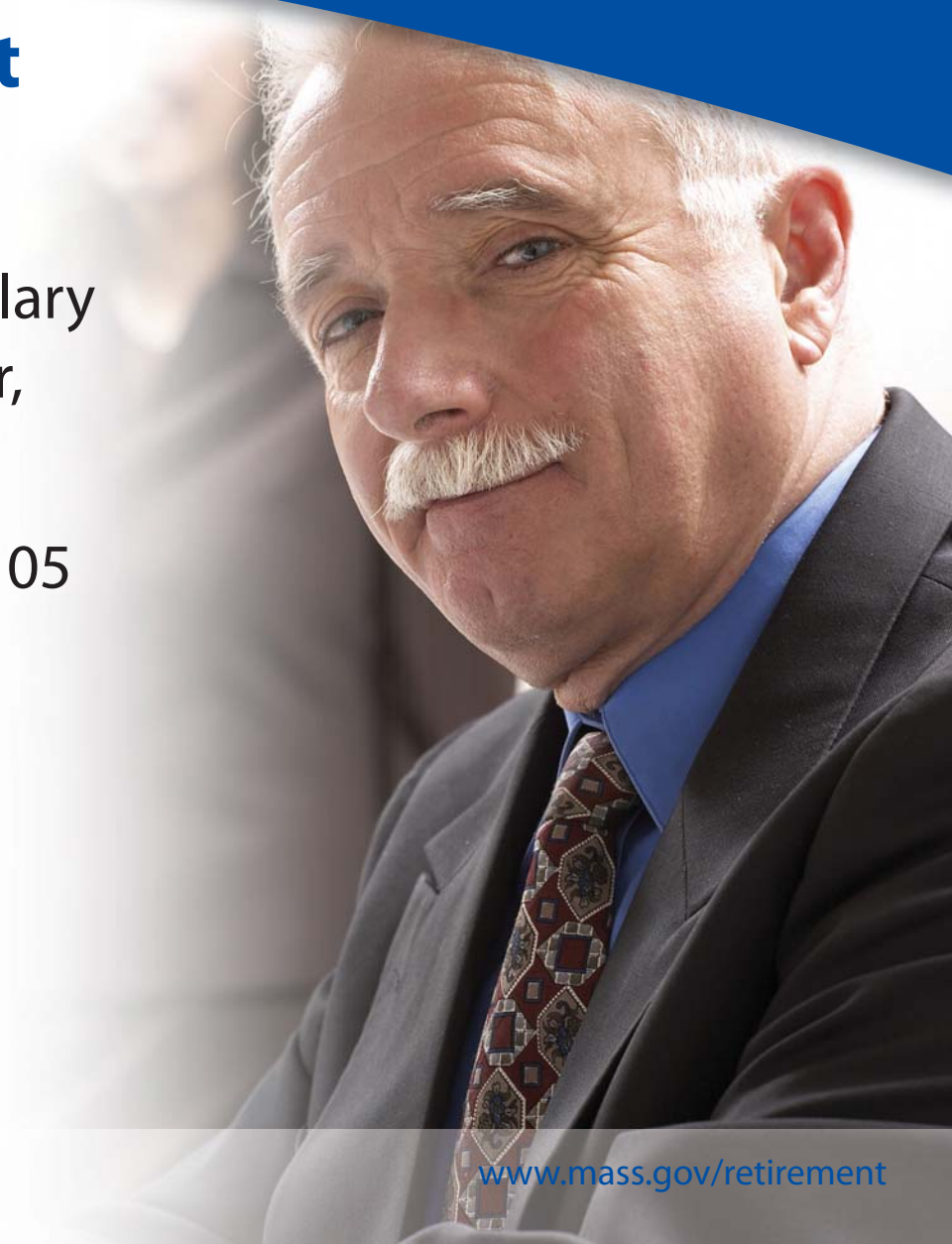
- ➔ Active employees can fill out a form naming a beneficiary
- ➔ An eligible Spouse has first option, Spouse can waive rights
- ➔ If there is no surviving spouse or minor child and no Option D form then:
 - Lump sum refund of account to beneficiary on record or,
 - Lump sum to estate if no beneficiary on record



Working After Retirement

PUBLIC SECTOR EMPLOYMENT

1. Limited to 960 hours and/or salary difference per calendar year or,
2. Waive Pension or,
3. Reinstatement under Section 105



Working After Retirement

PRIVATE SECTOR EMPLOYMENT

1. Unlimited earnings for standard superannuation retirement
2. Restrictions apply to other types of retirement such as disability.



Forfeiture of Benefits

Instances where your retirement allowance or accumulated deductions may be forfeited:

- ➡ You have misappropriated governmental funds or property
- ➡ You have violated certain provisions of the Massachusetts conflict of interest law (M.G.L. Chapter 268A)
- ➡ You have violated laws applicable to your office or position

Taxes on your Pension

NO STATE TAXES IN MASSACHUSETTS

Federally Taxable

Reciprocal agreements with 14 states:

Alabama

Michigan

Tennessee

Alaska

Mississippi

Texas

Florida

Nevada

Washington

Hawaii

New Hampshire

Wyoming

Illinois

South Dakota

Vacation & Sick Pay

- ➔ Handled by department or Agency from where member is retiring
- ➔ Deferral available into the SMART Plan:
 - Retiring employees may defer accumulated sick pay, vacation pay and back pay.
 - Employees separating from service may defer accumulated vacation and/or back pay



Health Insurance

- ➔ Currently 15% premium for retirees
- ➔ Premium % may change, contact GIC for increases:
Tel: 617-727-2310, Ext. 1 (current employees) or Ext. 6 (retirees)
- ➔ GIC bills premiums until 2nd pension payment
Premium will be deducted beginning with
2nd pension payment
- ➔ If member dies:
Regardless of option, spouse can continue
health insurance at a 10% rate provided
they do not re-marry



Social Security

Eligibility:

- ➔ Social Security benefits do not impact state retirement benefits, however, the opposite is not true:

Windfall Elimination Provision (WEP)
Government Pension Offset (GPO)

Exemptions:

- ➔ **30 years or better** of substantial earnings under Social Security
- ➔ Eligible to retire from the state prior to **January 1, 1986** for WEP
- ➔ Eligible to retire from the state prior to **July 1, 1983** for GPO
- ➔ All Social Security Questions should be directed to:
1-800-772-1213 or www.ssa.gov/gpo-wep/

Contact Us:

One Ashburton Place, Room 1219,
Boston, MA 02108
(617) 367.7770 • Fax (617) 723.1438
Hours: 7:45 a.m. to 5:00 p.m.

436 Dwight Street, Room 109A,
Springfield, MA 01103
(413) 730.6135 • Fax (413) 730.6139
Hours: 8:00 a.m. to 5:00 p.m.

Toll Free within MA only
(800) 392.6014

e-mail: srb@tre.state.ma.us

www.mass.gov/retirement



Other Financial Education Programs

THE MONEY CONFERENCE

A PROJECT OF STATE TREASURER TIMOTHY P. CAHILL



Saving Makes Cents

A PROJECT OF STATE TREASURER TIMOTHY P. CAHILL



with Caution Credit

Graduate with a degree — not credit debt.

Tomorrow's Money

a step-by-step guide for today

Questions?

The background of the slide features a blue gradient with several large, stylized question marks in various shades of blue and white. On the right side, there is a faint, light blue silhouette of a person standing with arms slightly outstretched.

